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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000545

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SUBJECT: KMT VICE CHAIRMAN JOHN KUAN ON MA CABINET  
SELECTION, CROSS-STRAIT EXPECTATIONS

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: KMT President-elect Ma Ying-jeou will draw from previous KMT administrations as well as from those outside the party to staff his Cabinet, KMT Vice Chairman John Kuan told the Deputy Director on April 17. Ma is following his own rules in choosing the new Cabinet, said Kuan, and he will not permit the party to dominate the government as it did during distant KMT administrations. Ma's March 24 public request to visit the U.S. was a "calculated risk" intended to signal to Washington that improved U.S. relations were his top priority, with cross-Straits relations second. Kuan argued that Beijing will not push Taiwan to forego future U.S. arms purchases because China understands Ma must prove he is strong on defense if he is to remain in power and that this would not alter the status quo. China may not ease up on Taiwan's international living space soon, conceded Kuan, but there are reasons to believe progress is possible on this front too. End Summary.

Ma Draws from KMT's Deep Bench

¶2. (C) The KMT is ready to put into practice the policies developed by party leaders and academic think tanks during the eight years the party was out of power, KMT Vice Chairman John Kuan (Kuan Chung) told the Deputy Director on April 17. The KMT enjoys a significant "human capital" advantage over the DPP, and Ma will draw upon the party's extensive network of experienced business leaders, seasoned politicians, and prominent academics to staff his administration. Although Ma's cabinet may borrow staff from previous KMT administrations, Kuan insisted, Ma will not let the party dominate the government as it had in the distant past. Former president Chiang Ching-kuo began diminishing the power of the KMT over the government, underscoring that the government must represent the whole country. This could be "difficult" for the Beijing leadership to understand, Kuan remarked, because in China the CCP is essentially the government.

But Does it His Way

¶3. (C) To what degree is Ma consulting the KMT leadership in selecting the members of his cabinet, asked the Deputy Director. The KMT leadership is largely out of the

decision-making loop, replied Kuan. In fact, Ma is working mainly with only three others to choose his cabinet: vice president-elect Vincent Siew, former KMT legislator and national security adviser-designate Su Chi, and premier-designate Liu Chao-hsuan. Ma has indicated that integrity and competence are to be the hallmarks of his cabinet, and that he would consider anyone, including DPP members and those unconnected to party politics, who met those two basic criteria, with the former being more important. Ma's top priorities are to expand Taiwan's economic relationship with the PRC and to win over those voters who did not support him or the KMT in recent elections. Ma will therefore choose whoever he thinks will help him accomplish those goals, suggested Kuan, with or without approval from the KMT leadership. (Note: In a separate conversation, KMT Mainland Affairs Director Chang Jung-kung echoed Kuan's remarks, stating that many in the party had urged Ma to include more "native Taiwanese" and fewer "mainlanders" in his cabinet. Ma has ignored these recommendations, said Chang, preferring to do things his own way. End note.)

14. (C) Ma's independence from the party old-guard is perhaps demonstrated best by his choice of Vincent Siew as his vice presidential running mate, said Kuan. Siew was the only prominent KMT economic expert to cooperate with Chen administration efforts to improve the economy. KMT Honorary Chairman Lien Chan viewed Siew's actions with suspicion, and to this day the two men do not get along. On the other hand, Siew's willingness to cross party lines earned him the admiration and respect of the DPP. One of Ma's goals is to foster "harmony" between the two parties, Kuan noted. Ma ignored Lien's objections and chose Siew, reasoning that it would be easier for the DPP to trust and work with him.

TAIPEI 00000545 002 OF 003

#### U.S.-Taiwan Relations Ma's Top Priority

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15. (C) U.S.-Taiwan relations worsened during President Chen's tenure because Chen sacrificed Taiwan's foreign relationships for domestic political gain, argued Kuan. Unlike Chen, Ma understands that Taiwan's economic and military security both depend on strong U.S. support. Ma also understands the need to restore the U.S. trust damaged by President Chen's domestic political maneuvering. Kuan reiterated Ma's promise that Taiwan will be a "peacemaker," not a "troublemaker," and opined that as long as cross-Strait relations remain peaceful, progress can be made. Kuan added that Ma's March 24 public request to visit the United States was a "calculated risk," not a mistake. Ma understands that some in the U.S. are concerned that Taiwan will distance itself from Washington to get closer to Beijing. Hence, he wanted to underscore that Taiwan's relationship with the U.S. remains his top priority.

#### Cross-Strait Depends on Ambiguity

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16. (C) Cross-Strait dialogue will require both sides to seek areas where cooperation is possible, and to work together to minimize potential confrontations. Some issues, like cross-Strait flights and the "1992 Consensus" will also require the creative use of "ambiguity." Kuan recalled the dispute over whether charter flights should be categorized as "international" or "domestic" flights, and how the conflict was sidestepped by simply using the term "cross-Strait" flights. By now, Kuan continued, China should understand that if cross-Strait relations are to improve, economic cooperation must expand before political compromise can become possible. China should also understand that it must make concessions if it hopes to keep Ma and the KMT in power so that cross-Strait dialogue can continue. As long as Taiwan does not push for independence, Kuan hoped, anything should be possible.

## Strong Taiwan is Lesser of Two Evils

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17. (C) Kuan asserted that China will not press Taiwan to forego future U.S. arms purchases because Beijing understands that a strong Taiwan actually increases cross-Strait stability, and only maintains the status quo. Beijing also understands that it is politically necessary for a KMT government to maintain a strong defense, lest it be accused of "selling out" Taiwan. In the final analysis, said Kuan, Beijing will tolerate future U.S. arms purchases by Taiwan because, compared to the possibility of another DPP government, it is clearly the lesser of two evils. Publicly, however, Beijing will of course "protest," he said.

## Hope on International Living Space

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18. (C) PRC efforts to steal away Taiwan's diplomatic partners may continue for the near term, conceded Kuan, and could result in Taiwan's loss of a few more allies. However, Kuan continued, recent personnel changes in the PRC's "Taiwan leading group" suggest the emphasis has shifted from security to economics. The "hardliners" tend to be in the military and foreign policy apparatus, he noted, and Commerce Minister Chen Deming has just been inserted into the Taiwan group. The hope is that PRC President Hu Jintao will soon issue new orders to the Foreign Ministry to halt efforts to curtail Taiwan's international "living space." Kuan insisted that progress would not be possible without continued U.S. pressure on China to allow increased Taiwan participation in international organizations.

19. (C) Kuan told the Deputy that he has not been offered a position in the Ma government, and will most likely continue to serve as the KMT vice chairman in charge of formulating KMT foreign and defense policy, party-NGO relations, and international organizations. Kuan added that, at 68 years of age, and after eight years of working to restore the KMT to power, he was looking forward to retiring from politics.

TAIPEI 00000545 003 OF 003

Other senior KMT leaders, however, including vice chairman P.K. Chiang (Pin-kung), will migrate to Ma's administration after the inauguration. Chiang, who has been named to head the Straits Exchange Foundation (SEF), will continue to serve as the KMT vice chairman in charge of cross-Strait policy, but this would not have to take up much of his time, said Kuan.  
YOUNG